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STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
LANSING

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Senate Bill 639 (As Introduced)

Topic: Modifying requirements for conducting mortgage loan business
Sponsor: Senator Stamas
Co-sponsors: Senator Bishop
Committee: Banking and Financial Institutions

Date Introduced: June 23, 2005

Date of Summary: July 1, 2005

By amending sections 1a, 2, and 4 of the "Mortgage brokers, lenders, and services act," the bill modifies requirements for conducting mortgage loan business using exclusive brokers. The bill corrects the name of the Department of Consumer and Industrial Services, as stated in the act, to the Department of Labor and Economic Growth.

The bill defines "Exclusive broker" as an individual who brokers mortgage loans solely to one licensee or registrant and acts on behalf of that licensee or registrant. The exclusive broker is also compensated and indemnified by the licensee or registrant.

The bill adds a new exception by not requiring exclusive brokers to obtain a license or register under this act to act as a mortgage broker, mortgage lender, or mortgage servicer.

The bill also adds two more exceptions stating that unless a residential mortgage originator is registered as a mortgage broker under this act or is a mortgage broker exempt from licensing and registration under this act, that that residential mortgage originator shall not receive any compensation, commission, fee, points, or other remuneration or benefits from a mortgage broker, lender, or servicer other than the employer of the residential mortgage originator. Additionally, the mortgage broker, lender, or servicer shall not pay any of the aforementioned benefits to a residential mortgage originator unless the exception applies.

The bill adds a new requirement for an applicant's application or renewal of a license which states that any applicant who acts as a mortgage broker and who receives funds from a prospective borrower before the closing of a mortgage loan or acts as a mortgage lender and conducts business using one or more exclusive brokers, must prove financial responsibility with \$20,000.00 in addition to the \$25,000.00 otherwise required, for each exclusive broker through which the applicant conducts business regulated by this act. The total amount required shall not exceed \$1,000,000.00.

The same requirement applies for those applicants who act as a mortgage servicer and conducts business using one or more exclusive brokers in which they would have otherwise only needed to provide \$125,000.00 in proof of financial responsibility.

The bill also adds the requirement that a licensee or registrant that conducts business regulated by this act using one or more exclusive brokers must enter into an indemnification agreement. This agreement must protect borrowers from monetary damages that may result from doing business with the exclusive brokers through which the licensee or registrant conducts business. This agreement must be approved by the Commissioner and the indemnification amounts and form are provided in the act.

Lastly, the bill clarifies language throughout section 1a, 2, and 4 of the act.